

"The cable television rates in Glasgow are not the result of a short-term price war. Head-to-head competition in Glasgow has gone on now for over four years. The municipally-owned system's rate started at \$13.50 per month for basic and has continued to use that rate to this date. The private operator lowered its rates from \$14.25 for a 24-channel basic package to \$5.95 for a 42-channel basic package on a street-by-street pattern identically matching the construction of the municipally-owned system in 1989. Subsequently, they offered a rate of \$8.95 to the whole city once the municipally-owned system was completed. The \$8.95 rate continued for over 2-1/2 years until January 1, 1993 when they increased their rate to \$12.50. During the time of their \$8.95 basic rate, attorneys for the private cable company stated in both newspaper interviews and in depositions that the private cable operator was "still making money at the \$8.95 rate - just not as much as they used to." If these rates are not the result of competition as mentioned in the Petition filed by the NCTA, would we not have to assume that they have some anti-competition motive?

The filing also mentions that our system's financial statements show a net loss. That statement is true. During the four years of operation of our municipal system, the system has recorded a decreasing net loss at the end of each fiscal year. Fiscal year 1994 should end this trend, with a projected positive net income. This is not at all an unusual situation, even for privately owned cable systems. Very few new businesses today begin showing a net profit immediately."

Finally, Mr. Hobart's letter refutes claims that municipal cable systems are subsidized due to their being part of larger systems used for multiple purposes:

"Finally, the contention that municipally owned cable systems are "cross-subsidized" because in some cases the community's cable system is part of a larger municipal fiber optic system which is used for customer meter reading, the monitoring and dispatch of electric substations, water systems, and sewage pumping stations is incorrect. Everyone benefits if a single communication system can be used for multiple purposes. Where this occurs, municipal utilities allocate costs to the several cost centers that benefit. And using their cable system for other purposes is clearly what cable companies would like to do -- to get into the telephone business, the personal communications systems business, the telephone alternate access business, and so on. The only difference is that there the private cable companies appear to want to charge high rates to their captive cable customers where they have a monopoly so as to subsidize the rates for other services where there is competition. Truly, this is the pot calling the kettle black."

For the preceding reasons, this Commission was correct in using data from municipally owned system in setting benchmark rates and should continue to do so.

Respectfully submitted,

Date: 7/20/93

A handwritten signature in dark ink, appearing to read "John W. Pestle", is written over a horizontal line.

John W. Pestle
Attorneys for Michigan Communities
VARNUM, RIDDERING, SCHMIDT & HOWLETT
P.O. Box 352
Grand Rapids, Michigan 49501-0352
(616) 336-6000



CONTINENTAL CABLEVISION OF MICHIGAN, INC.

Supervisor :

Enclosed please find correspondence from Paul Glist of the Washington, D.C. law firm Cole, Raywid, and Braverman, a firm specializing in cable issues.

Mr. Glist highlights issues for you to examine as you consider certification.

If you wish to discuss these issues or any issue in reference to the 1992 Cable Act, please feel free to call me. I would be happy to discuss the new cable law and its impact on your franchise area.

Sincerely,

Patricia L. Wilson
General Manager

PLW/blb

enc.

JOHN P. COLE, JR.
BURT A. BRAVERMAN
ROBERT L. JAMES
JOSEPH R. REIFER
FRANCES J. CHETWYND
JOHN D. SEIVER
WESLEY R. HEPPLER
PAUL GLIST
DAVID M. SILVERMAN
JAMES F. IRELAND III
STEVEN J. HORVITZ
ROBERT G. SCOTT, JR.
SUSAN WHELAN WESTFALL
GARY I. RESNICK
JANET R. THOMPSON*
THERESA A. ZETERBERG
STEPHEN L. KABLER
JOHN DAVIDSON THOMAS
TIMOTHY R. FURR
MARIA T. BROWNE**
BENJAMIN E. GOLANT

* ADMITTED IN PENNSYLVANIA ONLY
 **ADMITTED IN VIRGINIA ONLY

Although local franchising authorities may seek certification as early as June 21, 1993, there is no deadline for doing so, and no rights are forfeited through delay. When a franchising authority obtains certification (which is essentially automatic within 30 days of filing), it can always reach back to June 21 and award refunds from that date for up to one year of rate excesses (if any). Thus, a franchising authority which filed for certification in January, 1994, and received an operator's Form 202 in March, 1994, could reach back in say

Richard S. Weigand
June 8, 1993
Page -2-

However, once a franchising authority certifies, it loses that flexibility. It is bound to follow FCC rules -- all 540 pages of them -- and cannot informally "settle" a rate case. It must go through the process under FCC procedures, which requires public participation and will add to the cost of administration of the franchise. Even when it issues its final order (with which it is presumably satisfied), that order is subject to appeal to the FCC by any subscriber who participated

N-COM HOLDING CORPORATION

8465 RONDA DRIVE
CANTON MI 48187

Frederick G. Collman
Director-Corporate Development

Phone: (313) 455-5574
FAX: (313) 455-2423

July 6, 1993

Kevin Cornish, Village Manager
Village of Clinton
119 East Michigan Avenue
P.O. Drawer E
Clinton, Michigan 49236

Re: Rate Regulation Resolution - June 7, 1993.

Dear Kevin,

I am writing in response to the cable rate resolution that the Village Council adopted on June 7, 1993. That resolution is facially inaccurate. The resolution states that Clear's cable rates "violate the FCC regulations." However, the resolution was passed weeks before rate regulation was to have gone into effect on June 21st, 1993. (The FCC has now postponed the effective date of rate regulations until October 1, 1993.) Obviously, Clear cannot be in violation of regulations that are not yet in effect. Moreover, the Village's position that Clear is in violation of FCC regulation runs directly counter to the most fundamental notions of due process since such a position was taken without any hearing or request for information from Clear (as required by the new regulations) that could demonstrate (one way or another) what Clear's costs are and therefore what its rates should be under the FCC's announced regulations.

The resolution passed on June 7, 1993 also states that the Village's attorneys are to file a complaint with the FCC regarding cable rates on June 21. It seems presumptive to try and divine what prices or rates will be in effect weeks in advance of any specified date. It's like getting a speeding ticket in advance of actually speeding, simply because the patrolman anticipates you speeding in the future. It would be more appropriate the see what Clear's rates are on October 1, and the basis of those rates, before filing a complaint with the FCC.

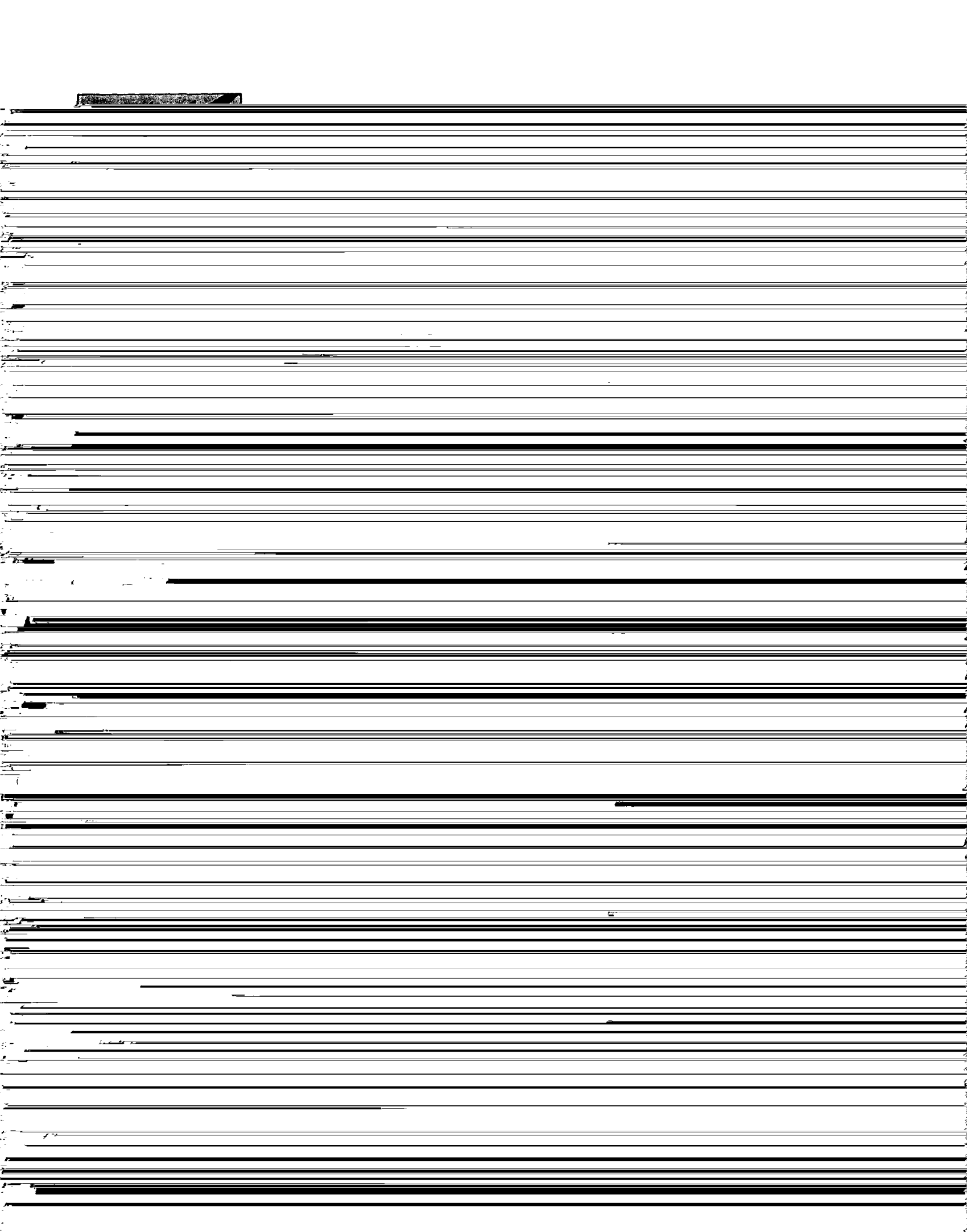
Please call me or Pam Rider if you've any questions in this regard.

Sincerely,



Frederick G. Collman

cc: Pam Rider
Harry Suri
John Read, Esq., Wilmer Cutler & Pickering



City/Light & Water

P.O. Box 9

Paragould, Arkansas 72451-0009

CONTINUATION SHEET

Mr. John Pestle

July 15, 1993

Page Two

The economic analysis attached to the NCTA's filing and its conclusions are incorrect. The figures used in it for such basic factors as the cost to build our system and the initial year we started operation are wrong - and not by a little, by a lot. These errors aid their incorrect conclusion that we're losing lots of money. I noticed that the consultants admitted they didn't use the true numbers: They said they didn't use the actual cost to build our system, but instead their estimate of its replacement cost.

We built the system for a lot less than the figure they give for replacement cost. I assume the reason they used replacement cost for us was because if they used our actual cost to build our system, they'd have to do the same for our private competitor, Paragould Cablevision, which has-been here for nearly 30 years, and that would show that the private company is making money hand over fist.

Another error is the study's failure to use our actual debt service figures - these are publicly available, why didn't the consultants use them? And their statements about \$60 per home tax are wrong. An assessed value of \$50,000 would pay a tax of \$27.00.

Let me explain this tax - because we are a startup operation competing with an existing cable company, we had to have some assurance that we could meet our costs during the first few years when we had few customers. Our citizens, who in effect are our shareholders, approved the tax to help in this regard. Our cable system has been doing better than our projection, and although we had to draw on the tax in the first year, it was well below the \$60 level and is declining.

I don't see how this support we get from our citizen owners during our startup phase is any different from the support a private company would get from its owners to cover the negative cashflow during startup. Nobody makes money from day 1.

City/Light & Water

P.O. Box 9

Paragould, Arkansas 72451-0009

CONTINUATION SHEET

Mr. John Pestle

July 15, 1993

Page Three

Finally the consultants say (or suggest) they got their data from us. They didn't. That's obvious in part from the mistakes in their figures. And as manager of the city's utilities any request for data would have come to my attention, and there was none.

The statements that our various city operations subsidize



American Public Power Association

July 15, 1993

2301 M Street, N.W.
Washington, D.C. 20037-1484
202/467-2900

John W. Pestle
Attorney
Varnum, Riddering,
Schmidt & Howlett
P.O. Box 352
Grand Rapids, Michigan 49501-0352

Dear Mr. Pestle:

I have reviewed the Petition for Reconsideration filed by the National Cable Television Association in the FCC's cable rate regulation rulemaking and would like to set the record straight on the misstatements it makes as to municipally owned utilities.

By way of background, APPA is the national service organization for the more than 2,000 municipally owned electric utilities in the country which provide 15% of the U.S. population with electricity -- at rates typically well below those of privately owned electric utilities. APPA members range from such cities as Los Angeles and Seattle to small communities of only a few hundred people. Many APPA members have supplied electricity to their communities for more than 100 years.

About 40 APPA members own and operate municipal cable systems. These provide high quality service at rates below those of their privately owned competitors, while more than covering their costs. APPA puts on an annual seminar to assist communities which wish to create their own municipal cable systems.

I have to take issue with NCTA's statements that municipal systems "are extremely unlikely to cover costs plus a reasonable profit" because they "typically are subsidized by the municipality." This statement is not true.

Municipally owned utilities (electric, water, sewer, cable) are virtually always run as self-liquidating enterprises which cover their costs. Subsidies, if there are any, are typically from the utility to the city general fund -- not the other way around. Some of the reasons for this are financial -- cities nationwide face major financial problems -- they generally cannot afford subsidies. And municipalities must issue bonds to get the capital to build utility systems. Wall Street investors legitimately demand that costs be properly segregated and that no cross subsidization occurs in order to have an accurate picture of the financials of the utility and to provide reasonable assurance that the bonds will be repaid.

NCTA has skewed the sample of municipal utilities which it mentions in its filings to municipal cable systems that have been created within the last two or three years. This is true of Glasgow, Kentucky;

July 15, 1993

Paragould, Arkansas; and Elbow Lake, Minnesota. No startup enterprise, public or private, can be expected to earn money from day one. But to extrapolate from these startup situations to well-established municipally owned cable systems as a whole is incorrect.

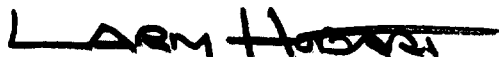
The NCTA and FCC should be aware that municipally owned utilities have always been viewed by the courts, Congress, Federal Energy Regulatory Commission and economists as providing a useful competitive check on utility rates -- so-called benchmark competition. This is because municipal utilities, due to the lack of a conflict of interest between shareholders and customers, the high efficiency with which they operate (shown by repeated studies and the absence of excessive salaries) provide a useful comparison as to what the rates of privately owned utilities should be. This is the theory of "yardstick" competition. Even though two utilities which as natural monopolies do not compete head to head, the low rates of a municipally owned system (due to the efficiencies and other factors just mentioned) provides a check or "yardstick" for the courts and regulators to use in setting the rates for adjacent privately owned utilities.

This benchmark competition approach is particularly appropriate in the cable area where municipally owned utilities built their systems, operated them, paid off their debt, and kept rates low. This is in marked comparison to privately owned cable companies which have simply sold, resold, and sold their systems again with each purchaser increasing rates to cover the cost of the purchase price, generate excessive profits and the like. This would not happen if cable companies were subject to effective competition. Thus, the rates for municipally owned cable systems give a very good indication of what the rates of private cable systems would be if they faced true competition.

Finally, the contention that municipally owned cable systems are "cross-subsidized" because in some cases the community's cable system is part of a larger municipal fiber optic system which is used for customer meter reading, the monitoring and dispatch of electric substations, water systems, and sewage pumping stations is incorrect. Everyone benefits if a single communication system can be used for multiple purposes. Where this occurs, municipal utilities allocate costs to the several cost centers that benefit. And using their cable system for other purposes is clearly what cable companies would like to do -- to get into the telephone business, the personal communications systems business, the telephone alternate access business, and so on. The only difference is that there the private cable companies appear to want to charge high rates to their captive cable customers where they have a monopoly so as to subsidize the rates for other services where there is competition. Truly, this is the pot calling the kettle black.

I hope this response to the comments of the NCTA is helpful. Please let me know if you have any questions.

Sincerely,



Larry Hobart
Executive Director

LH:adh

City of Wyandotte

Department of Municipal Service

COMMISSIONERS
LOWELL D. ALM, PRESIDENT
THOMAS A. KUZMAK, VICE PRESIDENT
ANNE C. RONCO
LEONARD T. SABUDA
JILL A. KOSOWSKI



THOMAS M. DALY
GENERAL MANAGER
AND SECRETARY
3005 BIDDLE AVENUE
WYANDOTTE, MICH. 48192
PHONE (313) 282-7100

MUNICIPAL ELECTRIC, POWER, WATER
AND CABLE TV
SERVICE SINCE 1894

July 14, 1993

Mr. John Pestle
Attorney
Varnum, Riddering, Schmidt & Howlett
P.O. Box 352
Grand Rapids, MI 49501-0352

Dear John,

Thanks for sending me the National Cable Television Association's petition in the FCC cable rate case. I want to comment on municipally-owned cable systems from the perspective of the Wyandotte Municipal Service Commission. The Municipal Service Commission has provided utility services to Wyandotte residents for over 100 years and currently provides water, electricity, steam and cable service. We got into the cable business in 1982 after a referendum when nearly two-thirds of our residents said that they preferred to have the city provide cable service, and directed us to set up a municipally-owned system that was self-sustaining and financially independent, just like our electric, sewer, and steam systems.

We started providing service in the city in 1983 and currently service approximately 10,000 homes - a penetration rate of 75%. You will note this penetration rate is very high by industry standards. This is because we have kept our rates low. For \$12.00 today we offer 48 channels which includes remote, free installation, convertor box, and program guide. See our rate sheet, attached.

We are very proud of our municipal cable system. One of the people that appears on it frequently is our local Congressman. John Dingell. I know he is proud of it as well and

Mr. John Pestle
July 14, 1993
Page 2

As with most municipally-owned utilities nationwide, each of our own utilities is run as a self-liquidating operation. When our cable system started out in 1983, its rates were the same as those of privately-owned cable systems in adjacent communities. Over time, as the private systems were sold and resold, they kept increasing their rates. We did not because our rates were more than adequate to cover the cost of the debt issued to build our system plus all its operating costs. Our external debt has been retired, and we are planning a fiber optic overbuild of our system.

Claims that the cable system is subsidized by the city are

Note that our rates are as set forth on the attached sheet, but our channel alignment has changed somewhat with must-carry and is as shown on the second sheet.

WYANDOTTE MUNICIPAL SERVICE DEPARTMENT CABLE SYSTEM

CHANNEL ALIGNMENT

2. WJBK (2) Detroit CBS	
3. WGTE (30) Toledo ETV	
4. WDIV (4) Detroit NBC	
5. WKBD (50) Detroit IND	
6. The Weather Channel	24 Hours of Local/Regional/National Weather
7. WXYZ (7) Detroit ABC	
8. WXON (20) Detroit IND	
9. CBET (9) Windsor CBC	
10. Cable News Network	24-Hour National News/Weather/Sports In-Depth
11. Preview Guide	Program Guide and Previews of the Wyandotte Cable System
12. WTVS (56) Detroit ETV	
*13. Pay Per View (option)	Special Events and Movies Available on a One-Time Cost Basis
14. Reserved for FAA	
15. CICO (32) Windsor ETV	
16. WGPR (62) Detroit IND	
17. Nickelodeon	Family Programming, including Drama and Features
18. C-Span	Live Coverage of the U.S. House of Representatives
19. Government Access	
20. Municipal Access	Channel Available for
21. Public Access	Local Broadcasts
22. Educational Access	
23. Local Origination	
24. Advertising	Local Advertising
25. Community Bulletin Board	Community Events Listed Daily
26. Quality Value Network I	Shop at Home Service
27. Quality Value Network II	Shop at Home Service
28. Home Shopping Club	24 Hour Live Shop at Home Service
29. American Movie Classics	Hollywoods Movie Hits from the 30's to the 70's
*30. PASS (option)	Live Sports: Tigers, Pistons, Red Wings College Sports, Boxing
31. WTBS (17) Atlanta	Superstation Heavily Accented with Movies and Sports
32. TNT	24-Hours of Movies, Sports, Documentaries, Sitcoms
33. Cable News Network II	24-Hour Complement of Cable News Network
*34. HBO (option)	First-Run Films/Sports/Children's Entertainment
*35. The Movie Channel (option)	24 Hours of First-Run Movies, Exclusives and Recent Hits
36. Obituaries	
*37. Showtime (option)	Premium Entertainment, including Movies/Specials/Theater
*38. Cinemax (option)	Movies/Foreign Films/Concerts/Comedy
*39. Disney Channel (option)	Pay Service, Featuring Disney Programming
40. WGN (Chicago)	24 Hours of Syndicated Shows/Movies/Chicago Sports
41. Lifetime	Programming Dealing with Family/Life/Health/Science
42. U.S.A. Cable Network	24 Hours of Movies/Sports/Variety Entertainment
43. ESPN	24 Hours of College, Amateur and Professional Sports
44. Music Television	24 Hours of Video Music
45. Family Channel	Family Programming - Westerns, Comedies and Movies
46. Reserved for FAA	
47. The Learning Channel	A Network Designed to Increase Your Knowledge
48. Arts and Entertainment	Distinctive Entertainment-Comedy, Drama, Dance, Stage
49. The Discovery Channel	Programming in Science/History/Nature/Travel
50. Video Hits I — (VH-1)	24 Hours of Video Music for the 25-54 Age Group
51. Nashville Network	Entertainment with a Country Music Emphasis
52. Inspirational Network	Religious Network
53. Catholic Television Network	Religious Programming
57. Consumer News & Business Channel	Consumer Information, Investment & Health

BASIC SERVICE:

Basic Service

PRICES

Channel 2 - 57 (Excluding Premium Services)

\$12.00

*PREMIUM SERVICES:

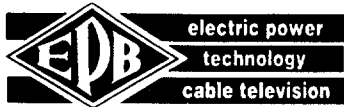
**Basic + 1 Premium	\$19.00 per month
**Basic + 2 Premiums	25.75 per month
**Basic + 3 Premiums	31.50 per month
**Basic + 4 Premiums	36.50 per month
**Basic + 4 Premiums + Disney + PASS	52.00 per month
Basic + PASS	21.50 per month
Basic + Disney	19.00 per month
Additional Outlets (per unit)	5.00
Security Deposit (per converter)	25.00
Basic Cable Installation	20.00
Basic VCR Installation	10.00 per unit
Remote Charge	7.00 per unit

**Premium includes choice of HBO, Cinemax, Showtime, and The Movie Channel

PROGRAMMING AND PRICES SUBJECT TO CHANGE

CHANNEL ALIGNMENT

2. WJBK (2) DETROIT (CBS)
3. ESPN
4. WDIV (4) DETROIT (NBC)
5. WKBD (50) DETROIT
6. THE WEATHER CHANNEL
7. WXYZ (7) DETROIT (ABC)
8. WXON (20) DETROIT
9. CBET (9) WINDSOR
10. CABLE NEWS NETWORK
11. PREVIEW GUIDE
12. WTVS (56) DETROIT
13. PAY PER VIEW
14. PAY PER VIEW GUIDE
15. CICO (32) WINDSOR
16. WGTE (3) TOLEDO
17. NICKELODEON
18. FAMILY CHANNEL
19. GOVERNMENT ACCESS
20. MUNICIPAL ACCESS
21. PUBLIC ACCESS
22. EDUCATIONAL ACCESS
23. LOCAL ACCESS
24. ADVERTISING
25. PUBLIC SERVICE CHANNEL
26. QUALITY VALUE NETWORK 1
27. QUALITY VALUE NETWORK 2
28. HOME SHOPPING CLUB
29. AMERICAN MOVIE CLASSICS
30. USA NETWORK
31. WTBS (17) ATLANTA
32. TNT
33. CNN HEADLINE NEWS
34. HBO
35. THE MOVIE CHANNEL
36. P.A.S.S.
37. SHOWTIME
38. CINEMAX
39. DISNEY CHANNEL
40. WGN (9) CHICAGO
41. LIFETIME
42. VH-1
43. MTV
44. C-SPAN
45. C-SPAN 2
46. CONSUMER NEWS & BUSINESS CHANNEL
47. THE LEARNING CHANNEL
48. ARTS AND ENTERTAINMENT
49. THE DISCOVERY CHANNEL
50. NASHVILLE NETWORK
51. COURT TV
52. TRINITY BROADCASTING NETWORK
53. CATHOLIC TELEVISION NETWORK
54. SCI-FI CHANNEL
57. CARTOON NETWORK
58. WADL (38)
61. WGPR (62)



Glasgow Electric Plant Board

July 14, 1993

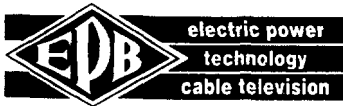
Mr. John W. Pestle
Vernon, Riddering, Schmidt & Howlett
Bridgewater Place
P. O. Box 352
Grand Rapids, MI 49501-0352

Dear John:

I have read the copy of the National Cable Television Association's Petition for Reconsideration in the FCC's cable TV rate regulation rule making. In that Petition the NCTA attempts to convince the FCC that cable rates in Glasgow, in which a municipally operated cable TV system competes head-to-head with a privately owned cable system, should not be useful to the FCC in determining a benchmark rate for cable systems subject to effective competition.

~~The cable television rates in Glasgow are not the result of a short term price war~~

[The remainder of the letter is redacted with heavy black bars.]



Mr. John W. Pestle

July 14, 1993

Page Two

I strongly believe that the cable television rates in Glasgow are exactly what the FCC was looking for to determine benchmark competitive rates. The whole emphasis of the 1992 Cable Act was to encourage replication of the Glasgow project in cities across the country. One of the reasons for such replication is to bring the advantages of competitive cable tv rates to other communities across the nation.

Respectfully,

A handwritten signature in cursive script, reading 'William J. Ray', is positioned above the typed name. To the right of the signature, the initials '(sh)' are written.

William J. Ray, P.E.
Superintendent

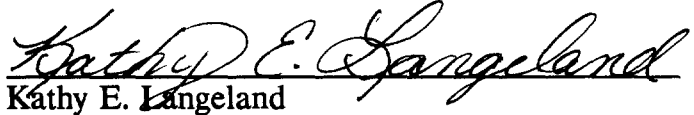
WJR/sh

Norman M. Sinel, Esq.
Patrick J. Grant, Esq.
Stephanie M. Phillipps, Esq.
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Counsel for NATOA and Local Governments
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1200 New Hampshire Avenue, N.W.
Washington, D.C. 20036

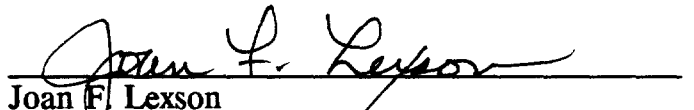
Nicholas P. Miller, Esq.
Joseph Van Eaton, Esq.
Lisa S. Gelb, Esq.
Counsel for King County, Washington, et al.
Miller & Holbrooke
1225 Nineteenth Street, N.W.
Washington, D.C. 20036

Gardner F. Gillespie, Esq.
Jacqueline P. Cleary, Esq.
Attorneys for the Coalition of Small System Operators
Hogan & Hartson
555 Thirteenth Street, N.W.
Washington, D.C. 20004

with a copy of Michigan Communities' Opposition and Response to Petitions for Reconsideration, Request for Leave to File in Excess of Page Limitation, and Proof of Service by placing said copies in an envelope with full postage prepaid in the United States Mail.


Kathy E. Langeland

Subscribed and sworn to before me this 20th day of July, 1993.


Joan F. Lexson
Notary Public, Ottawa County acting in Kent, MI
My Commission Expires July 1, 1995